

# CITY OF EAU CLAIRE

## NOTES TO THE BASIC FINANCIAL STATEMENTS December 31, 2003

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The accounting policies of the City of Eau Claire (City), Wisconsin conform to generally accepted accounting principles as applicable to governmental units.

#### **A. REPORTING ENTITY**

This report includes all of the funds of the City. The reporting entity for the City consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. All discretely presented component units have been combined and reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that they are legally separate from the government.

#### ***Discretely Presented Component Units***

##### *Housing Authority of the City of Eau Claire*

The government-wide financial statements include the Housing Authority of the City of Eau Claire (Housing Authority) as a component unit. The Housing Authority is a legally separate organization. The board of the Housing Authority is appointed by the Eau Claire City Council. Wisconsin Statutes provide for circumstances whereby the City can impose their will on the Housing Authority, and also create a potential financial benefit to or burden on the City. See Note III.K. As a major component unit, the Housing Authority's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended December 31, 2003. Separately issued financial statements of the Housing Authority of the City of Eau Claire may be obtained from the Housing Authority's office, which is located at 203 South Farwell Street, P.O. Box 5148, Eau Claire, WI 54702-5148.

##### *Redevelopment Authority of the City of Eau Claire*

The government-wide financial statements include the Redevelopment Authority of the City of Eau Claire (RDA) as a component unit. The RDA is a legally separate organization. The board of the RDA is appointed by the Eau Claire City Council. Wisconsin Statutes provide for circumstances whereby the City can impose their will on the RDA, and also create a potential financial benefit to or burden on the City. See Note III.K. As a nonmajor component unit, the RDA's financial statements have been combined with other nonmajor component units and presented as a separate column in the financial statements. The information presented is for the fiscal year ended December 31, 2003. Separately issued financial statements of the RDA of the City of Eau Claire may be obtained from the Finance Director's office, which is located at 203 South Farwell Street, P.O. Box 5148, Eau Claire, WI 54702-5148.

## CITY OF EAU CLAIRE

### NOTES TO THE BASIC FINANCIAL STATEMENTS December 31, 2003

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#### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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##### **A. REPORTING ENTITY (cont.)**

###### *Business Improvement Districts (BIDs)*

The government-wide financial statements include the Downtown Business Improvement District, West Grand Business Improvement District, and Water Street Business Improvement District as component units. The BIDs are legally separate organizations. The BID boards are appointed by the Eau Claire City Council. Wisconsin Statutes provide for circumstances whereby the City can impose their will on the BIDs, and also create a potential financial benefit to or burden on the City. See Note III.K. As nonmajor component units, the BID's financial statements have been combined with other nonmajor component units and presented as a separate column in the financial statements. The information presented is for the fiscal year ended December 31, 2003. Separate financial statements are not issued by the Business Improvement Districts.

##### **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

In June 1999, GASB issued Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34). In June 2001, GASB issued Statement No. 37 *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments – Omnibus*, (GASB 37), and Statement No. 38 *Certain Financial Statement Note Disclosures*.

The City of Eau Claire made the decision to implement these standards effective January 1, 2003.

Statements No. 34 and 37, among many other changes, add two new "government-wide" financial statements as basic financial statements required for all governmental units. The statement of net assets and the statement of activities are the two new required statements. Both statements are prepared on the full accrual basis. Previously, in accordance with accounting standards for governmental units, the City used the modified accrual basis of accounting for certain funds. The modified accrual basis of accounting continues to be the appropriate basis of accounting for governmental activity fund financial statements.

In addition, all funds in the fund financial statements are reported as business-type activities, governmental activities or fiduciary funds. The definitions for these types of activities are discussed in other portions of Note I.

Finally, all non-fiduciary funds are further classified as major or non-major funds. In reporting financial condition and results of operations for governmental units, the new standard concentrates on major funds versus non-major funds.

Statement No. 33 requires capital contributions to proprietary funds to be presented as a change in net assets rather than being directly credited to net assets. Statement No. 38 requires additional note disclosures.

# **CITY OF EAU CLAIRE**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS** December 31, 2003

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### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

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#### ***B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)***

##### ***Government-Wide Financial Statements***

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

##### ***Fund Financial Statements***

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, net assets/fund equity, revenues, and expenditure/expenses.

Separate financial statements are provided for governmental funds and proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

## CITY OF EAU CLAIRE

### NOTES TO THE BASIC FINANCIAL STATEMENTS December 31, 2003

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#### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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##### ***B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)***

###### ***Fund Financial Statements***

Funds are organized as major funds or non-major funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental fund or enterprise fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or proprietary fund that the City believes is particularly important to financial statement users may be reported as a major fund.

The City reports the following major governmental funds:

General Fund – accounts for the City's primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.  
General Debt Service Fund – accounts for resources accumulated and payments made for principal and interest on long-term debt other than TID or enterprise fund debt.

The City reports the following major enterprise funds:

Water Utility – accounts for the construction, operations, and maintenance of the municipal water pumping, treatment, and distribution systems.  
Sewer Utility – accounts for the construction, operations, and maintenance of the municipal sewage collection and treatment system.  
Storm Water Utility – accounts for the construction and operation of the City's storm sewer system. It also accounts for the acquisition and maintenance of storm water detention areas.  
Public Transit – accounts for the operations and maintenance of the municipal mass transit facility and fleet equipment.

# CITY OF EAU CLAIRE

## NOTES TO THE BASIC FINANCIAL STATEMENTS December 31, 2003

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)**

##### ***Fund Financial Statements (cont.)***

The City reports the following non-major governmental and enterprise funds:

Special Revenue Funds – used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

- Cemetery Maintenance
- Hazardous Materials Response
- Community Development
- Home Grant
- Economic Development
- Community Enhancement
- Public Library
- City-County Health Department
- Downtown Partners
- Landfill Escrow

Debt Service Fund – used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

- Debt Service – T.I.F. #4

Capital Projects Funds – used to account for financial resources to be used for the acquisition or construction of equipment and/or major capital facilities.

- Industrial Development
  - TIF #5 Gateway Northwest Business Park
  - TIF #6 Northeast Industrial Area
  - TIF #7 Soo Line Development Area
  - TIF #8 Downtown Development
- Street Projects
- Bridge Projects
- Buildings and Equipment
- Parks and Recreation Projects
- Environmental Improvements – Landfill
- Library Buildings and Equipment

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## **CITY OF EAU CLAIRE**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS December 31, 2003**

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#### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

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##### ***B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)***

###### ***Fund Financial Statements (cont.)***

Enterprise Funds – may be used to report any activity for which a fee is charged to external uses for goods or services, and must be used for activities which meet certain debt or cost recovery criteria.

- Parking Utility
- Hobbs Ice Center
- Outdoor Pool

In addition, the City reports the following fund types:

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost-reimbursement basis.

- Risk Management
- Central Equipment

Agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

- Tax Collection Fund

##### ***C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION***

###### ***Government-Wide Financial Statements***

The government-wide statement of net assets and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

# **CITY OF EAU CLAIRE**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS** December 31, 2003

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### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

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#### **C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer utility and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The business-type activities follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

#### ***Fund Financial Statements***

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and deferred revenues. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

Intergovernmental aids and grants are recognized as revenues in the period the City is entitled to the resources and the amounts are available. Amounts owed to the City which are not available are recorded as receivables and deferred revenues. Amounts received prior to the entitlement period are also recorded as deferred revenues.

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and deferred revenues.

# CITY OF EAU CLAIRE

## NOTES TO THE BASIC FINANCIAL STATEMENTS December 31, 2003

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### **C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)**

##### ***Fund Financial Statements (cont.)***

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, special assessments and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

The City reports deferred revenues on its governmental funds balance sheet. Deferred revenues arise from taxes levied in the current year which are for subsequent year's operations. For governmental fund financial statements, deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received before the City has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Agency funds only present a statement of net assets and do not have a measurement focus.

The proprietary funds follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989. The proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Utility, Sewer Utility, Storm Water Utility, and Public Transit are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Current rates in the water utility were approved by the Public Service Commission of Wisconsin on August 1, 2003. Current sewer rates were approved by the City council in December 1997. Current storm water utility rates were approved by the City council on January 1, 2002.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.



# **CITY OF EAU CLAIRE**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS** December 31, 2003

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### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

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#### ***D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY***

##### ***1. Deposits and Investments***

For purposes of the statement of cash flows, the City considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

Investment of City funds is restricted by state statutes. Available investments are limited to:

1. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
2. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, or by the University of Wisconsin Hospitals and Clinics Authority.
3. Bonds or securities issued or guaranteed by the federal government.
4. The local government investment pool.
5. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
6. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
7. Repurchase agreements with public depositories, with certain conditions.

Investment of most trust funds are regulated by Chapter 881 of the Wisconsin Statutes. Investment of library trust funds is regulated by Chapter 112. Those sections give broad authority to use such funds to acquire various kinds of investments including stocks, bonds and debentures.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average balances. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

# CITY OF EAU CLAIRE

## NOTES TO THE BASIC FINANCIAL STATEMENTS December 31, 2003

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### ***D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)***

##### ***1. Deposits and Investments (cont.)***

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on the same day if prior to 11:00 a.m. CST. At December 31, 2003, the fair value of the City's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

The funds categorized as Cash and Short Term Investments and Restricted Assets are invested under guidelines from the City council in their investment policy which also incorporates the restrictions of state statutes. This policy includes provision for short and long term investments, as follows:

Funds which are required for daily operations and available for short periods of time are invested through a service contract with a local bank. This agreement requires any available funds to be invested daily and earn interest based on the 13-week Treasury bill rate. Funds that are available for 30 days or longer are invested in U.S. government obligations or the State maintained Local Government Investment Pool. The maximum limits on the amount of funds which can be placed in one type of investment are:

Local Governmental Investment Pool	80%
Obligations of Federal Government	80%

See Note III.C. for further information.

##### ***2. Receivables***

Property taxes are levied in December on the assessed value as of the prior January 1. They are recognized as revenues in the succeeding year when services financed by the levy are being provided. In addition to property taxes for the City, taxes are collected for and remitted to the state and county governments as well as local school districts and technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as receivables and due to other taxing units on the accompanying agency fund balance sheet.

## CITY OF EAU CLAIRE

### NOTES TO THE BASIC FINANCIAL STATEMENTS December 31, 2003

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#### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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##### ***D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)***

##### ***2. Receivables (cont.)***

Property tax calendar – 2003 tax roll:

Lien date and levy date	December 2003
Tax bills mailed	December 2003
Payment in full, or	January 31, 2004
First installment due	January 31, 2004
Second installment due	July 31, 2004
Personal property taxes in full	January 31, 2004
Tax sale – 2003 delinquent real estate taxes	October 2006

Accounts receivable have been shown net of an allowance for uncollectible accounts. Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for the Water, Sewer, and Storm Water utilities because they have the right by law to place delinquent bills on the tax roll.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as “due to and from other funds.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

# CITY OF EAU CLAIRE

## NOTES TO THE BASIC FINANCIAL STATEMENTS December 31, 2003

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### ***D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)***

##### ***2. Receivables (cont.)***

In the governmental fund financial statements, advances to other funds are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

The City has received federal and state grant funds for economic development and housing rehabilitation loan programs to various businesses and individuals. The City records a loan receivable when the loan has been made and funds have been disbursed. The amount recorded as economic development and housing rehabilitation loans receivable has been reduced by an allowance for uncollectible accounts of \$160,000.

It is the City's policy to record deferred revenue for the net amount of the receivable balance. As loans are repaid, revenue is recognized. When new loans are made from the repayments, expenditures are recorded. Interest received from loan repayments is recognized as revenue when received in cash. Any unspent loan repayments at year end are presented as designated fund balance in the fund financial statements.

##### ***3. Inventories and Prepaid Items***

Proprietary fund inventories, if material, are recorded at cost based on the FIFO method using the consumption method of accounting. Proprietary fund inventories are generally used for construction and for operation and maintenance work. They are not for resale. They are valued at cost based on weighted average, and charged to construction, operation and maintenance expense when used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

##### ***4. Restricted Assets***

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net assets.

Funds on deposit with Wisconsin Municipal Insurance Company for payment of insurance claims are combined with twelve other participating governments. The City's deposit at year end was \$163,736. This amount is recorded as Restricted Assets in the Internal Service funds. See Note III.C. for additional information on restricted assets.

# CITY OF EAU CLAIRE

## NOTES TO THE BASIC FINANCIAL STATEMENTS December 31, 2003

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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#### **D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)**

##### **5. Capital Assets**

###### **Government –Wide Statements**

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets and for infrastructure assets, and an estimated useful life in excess of one year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated fixed assets are recorded at their estimated fair value at the date of donation.

Prior to January 2003, infrastructure assets of governmental funds were not capitalized. Upon implementing GASB 34, governmental units are required to account for all capital assets, including infrastructure, in the government-wide statements prospectively from the date of implementation. Retroactive reporting of all major general infrastructure assets is encouraged but not required until January 1, 2007, when GASB 34 requires the City to retroactively report all major general infrastructure assets acquired since January 1, 1980. For the year ended December 31, 2003, the City has retroactively reported all network infrastructure acquired by its governmental fund types.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. \$56,900 of net interest was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40-50 Years
Land Improvements	30-55 Years
Machinery and Equipment	3-25 Years
Utility System	40-100 Years
Infrastructure	10-30 Years

###### **Fund Financial Statements**

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

# **CITY OF EAU CLAIRE**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS** December 31, 2003

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### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

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#### ***D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)***

##### ***6. Other Assets***

In governmental funds, debt issuance costs are recognized as expenditures in the current period, and premiums on debt are recognized as revenues in the current period. For the government-wide and the proprietary fund type financial statements, debt issuance costs are deferred and amortized over the life of the issue using the straight-line method. Gains or losses on prior refundings are amortized over the remaining life of the old debt, or the life of the new debt, whichever is shorter. The balance at year end for both premiums/discounts and gains/losses, as applicable, is shown as an increase or decrease in the liability section of the balance sheet.

##### ***7. Compensated Absences***

Under terms of employment, employees accumulate vacation, compensatory time, sick leave and other benefits at various rates depending on bargaining group and length of service. Payments for vacation, compensatory time, and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and compensatory time liabilities at December 31, 2003 are determined on the basis of current salary rates and include salary related payments.

All vested vacation is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable available resources.

##### ***8. Long-Term Obligations/Conduit Debt***

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable, and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debt (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

The City has approved the issuance of industrial revenue bonds (IRB) for the benefit of private business enterprises. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the City. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The total amount of IRB's outstanding at the end of the year is approximately \$4,735,000, made up of two issues.

# **CITY OF EAU CLAIRE**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS** December 31, 2003

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### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

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#### **D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)**

##### **9. Claims and Judgments**

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

##### **10. Equity Classifications**

###### **Government-Wide Statements**

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

###### **Fund Statements**

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Unreserved fund balance includes funds set aside by management for specific uses, which are labeled "designated". The balance of unreserved fund balance is labeled "undesignated", which indicates it is available for appropriation. Proprietary fund equity is classified the same as in the government-wide statements.

# **CITY OF EAU CLAIRE**

## **NOTES TO THE BASIC FINANCIAL STATEMENTS** December 31, 2003

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### **NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

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#### ***D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)***

##### ***11. Comparative Data/Reclassifications***

Comparative total data for the prior year have been presented for the general fund, certain special revenue funds and the debt service funds in the financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. However, comparative data by fund has not been presented in all statements since their inclusion would make the statements unduly complex and difficult to read. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

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### **NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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#### ***A. BUDGETARY INFORMATION***

Budgeting is an essential element of the financial planning, control, and evaluation process of the City. Formal budgets are prepared for governmental and proprietary funds. Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note I. C.

An annual budget has been adopted for the general, debt service, and special revenue funds, except for the Community Development and Home Grant funds, which have nonlapsing budgets. Flexible, annual budgets are approved for proprietary funds to provide for financial management. Project length budgets are adopted for capital project funds. Although these appropriations are specific for each project, they are reviewed and may be adjusted annually by the City council. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds and provides that the legal level of control (the level on which expenditures may not legally exceed appropriations) is by department for annual fixed budgets. All annual appropriations lapse at year end.

Purchase orders which are not completed by year end are recorded in the following year.

The following procedures, which comply with legal requirements, are used in establishing the budgetary data reflected in the financial statements:

1. Before October 25, the City manager must submit to the City council budget proposals for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the resources to finance them.
2. City council work sessions are held to review the submitted budget.
3. Public hearings are conducted to obtain taxpayer comments.
4. The budget is adopted through passage of a resolution in November; public notification is given, showing adopted budgets and the resulting tax levy.



# CITY OF EAU CLAIRE

## NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2003

### **NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont.)**

#### **A. BUDGETARY INFORMATION (cont.)**

5. During the fiscal year, the director of finance may authorize transfers of budgeted amounts within departments; however, transfers between departments must be approved by City council resolutions.
6. Formal budgetary integration is employed as a management control device during the year for the general, special revenue and debt service funds. Budgetary control for capital project funds is accomplished through the use of project controls.

The City council approved proposed 2004 budgets for governmental and proprietary funds on November 18, 2003.

During 2003, additional appropriations were approved in the General, Downtown Partners, Hazardous Materials, Public Library, and City-County Health Department Funds. A summary of these council actions follows:

	General Fund	Downtown Partners	Hazardous Materials	Public Library	City – Co. Health Dept.
Original appropriation	\$ 43,048,600	\$ 131,000	\$ 214,200	\$3,642,300	\$ 3,349,600
Carry over of appropriations	243,400	-	-	67,200	-
Grants & donations	158,600	-	62,100	-	242,000
Other	(133,600)	8,900	35,000	-	-
Final appropriation	<u>\$ 43,317,000</u>	<u>\$ 139,900</u>	<u>\$ 311,300</u>	<u>\$3,709,500</u>	<u>\$ 3,591,600</u>

#### **B. EXCESS EXPENDITURES OVER APPROPRIATIONS**

Budgeted expenditures in the Cemetery Maintenance fund (including amendments) were \$443,500. Total expenditures were \$452,112. This results in excess expenditures of \$8,612.

## CITY OF EAU CLAIRE

### NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2003

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#### NOTE III – DETAILED NOTES ON ALL FUNDS

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##### **A. DEPOSITS AND INVESTMENTS**

The City maintains a cash and investment pool for all funds (except the Housing Authority) which is recorded on the statement of net assets as follows:

Per statement of net assets	\$ 65,649,443
Per statement of net assets - restricted	9,880,404
Per statement of net assets – fiduciary funds	<u>11,952,772</u>
Total	<u>\$ 87,482,619</u>

Total cash and investments consist of the following:

Petty cash and cash on hand	\$ 3,405
Deposits with financial institutions	15,073,338
Investments	<u>72,405,876</u>
Total Cash and Investments	<u>\$ 87,482,619</u>

##### **DEPOSITS**

At December 31, 2003, the carrying amount of the City's deposits was \$15,073,338 and the bank balance was \$15,588,236. The difference between the carrying amount and the bank balance represents outstanding checks and deposits in transit.

Of the bank balance, \$100,000 was covered by federal depository insurance, and \$15,488,236 was covered by perfected collateral pledges held by the City's agent in the City's name.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual municipalities. This coverage has not been considered in computing the amounts covered by insurance and collateral above.

Fluctuating cash flows during the year due to tax collections, receipt of state aids and/or proceeds from borrowing may have resulted in temporary balances exceeding insured and collateralized amounts.

## CITY OF EAU CLAIRE

### NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2003

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#### NOTE III – DETAILED NOTES ON ALL FUNDS

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##### A. DEPOSITS AND INVESTMENTS (cont.)

##### INVESTMENTS

The City's investments are categorized to give an indication of the level of custodial credit risk assumed by the entity at year end. Category 1 includes items that are insured or registered or which are evidenced by securities held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments with securities held by the counterparty or its trust department or agent but not in the City's name.

	Category			Carrying
	1	2	3	Amount Fair Value
US Government Securities	\$ -	\$ 29,024,290	\$ -	\$ 29,024,290
Local government investment pool				43,217,850
Wisconsin Mutual Insurance Co. (pooled funds)				163,736
Total Investments				\$ 72,405,876

The City had no significant type of investment during the year not included in the above schedule.

# CITY OF EAU CLAIRE

## NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2003

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

#### A. DEPOSITS AND INVESTMENTS (cont.)

Investments in the local government investment pool are covered under a surety bond issued by Financial Security Assurance, Inc. The bond insures against losses arising from principal defaults on substantially all types of securities acquired by the pool except U.S. Government and agency securities. The bond provides unlimited coverage on principal losses, reduced by any FDIC and State of Wisconsin Guarantee Fund insurance.

#### B. RECEIVABLES

Receivables as of year end for the government's individual major funds and nonmajor funds, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

<b>Governmental Activities</b>	<b>General</b>	<b>Debt Service- General</b>	<b>Nonmajor Governmental Funds</b>	<b>Internal Service Funds</b>	<b>Total</b>
Receivables:					
Taxes	\$ 20,437,083	\$ 1,265,006	\$ 4,888,689	\$ -	\$ 26,590,778
Delinquent personal property taxes	113,930	-	-	-	113,930
Accounts	1,127,693	7,206	1,579,990	173,088	2,887,977
Special assessments	12,621	6,546,366	54,904	-	6,613,891
Notes	25,000	-	5,775,106	-	5,800,106
Interest	154,161	-	15,094	-	169,255
Due from other governments	148,173	-	134,406	17,080	299,659
Gross receivables	22,018,661	7,818,578	12,448,189	190,168	42,475,596
Less: Allowance for Uncollectibles	-	-	(196,834)	-	(196,834)
Net Total Receivables	<u>\$ 22,018,661</u>	<u>\$ 7,818,578</u>	<u>\$ 12,251,355</u>	<u>\$ 190,168</u>	<u>\$ 42,278,762</u>
Amounts not expected to be collected within one year	<u>\$ 147,681</u>	<u>\$ 5,866,796</u>	<u>\$ 5,775,874</u>	<u>\$ 8,234</u>	<u>\$ 11,798,585</u>

# CITY OF EAU CLAIRE

## NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2003

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

#### **B. RECEIVABLES (cont.)**

<b>Business-Type Activities</b>	<b>Water Utility</b>	<b>Sewer Utility</b>	<b>Storm Water Utility</b>	<b>Public Transit</b>	<b>Nonmajor Business- Type Activities</b>	<b>Total</b>
Receivables:						
Taxes	\$ 487,412	\$ 479,593	\$ 51,981	\$ -	\$ -	\$ 1,018,986
Special assessments	1,241,525	1,487,591	-	-	-	2,729,116
Accounts	1,185,476	1,106,221	346,401	70,682	54,394	2,763,174
Due from other governments	-	-	-	1,102,010	-	1,102,010
Gross receivables	2,914,413	3,073,405	398,382	1,172,692	54,394	7,613,286
Less: Allowance for Uncollectibles	-	-	(1,150)	-	-	(1,150)
Net Total Receivables	<u>\$ 2,914,413</u>	<u>\$ 3,073,405</u>	<u>\$ 397,232</u>	<u>\$ 1,172,692</u>	<u>\$ 54,394</u>	<u>\$ 7,612,136</u>
Amounts not expected to be collected within one year	<u>\$ 795,861</u>	<u>\$ 991,343</u>	<u>\$ 7,441</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,794,645</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes levied for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<b>Unavailable</b>	<b>Unearned</b>	<b>Totals</b>
Property taxes receivable	\$ -	\$ 24,726,133	\$ 24,726,133
Delinquent property taxes receivable	113,930	-	113,930
Accounts receivable	1,908,503	-	1,908,503
Loans receivable	5,651,773	-	5,651,773
Special assessments not yet due	8,478,536	-	8,478,536
Interest receivable	15,094	-	15,094
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 16,167,836</u>	<u>\$ 24,726,133</u>	<u>\$ 40,893,969</u>

## CITY OF EAU CLAIRE

### NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2003

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#### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

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##### **C. RESTRICTED ASSETS**

The following represent the balances of the restricted assets:

##### ***Long Term Debt Accounts***

- Redemption – Used to segregate resources accumulated for debt service payments over the next twelve months.
- Construction – Used to report proceeds of revenue bond issuances that are restricted for use in construction.

##### ***Equipment Replacement Account***

The water and sewer utility established an equipment replacement account to be used for significant mechanical equipment replacement as required by the Wisconsin Department of Natural Resources.

Following is a list of restricted assets at December 31, 2003:

Restricted Assets	
Redemption account	\$ 2,003,427
Replacement account	723,000
TID #8 construction account	4,993,401
TID #7 construction account	71,569
Stormwater construction account	1,925,271
Insurance claims account	<u>163,736</u>
Total Restricted Assets	<u>9,880,404</u>
Less: Restricted Assets Not Funded by Revenues	
Construction accounts	(5,064,970)
Less: Current Liabilities Payable From Restricted Assets	(1,319,491)
Less: Insurance claims account	<u>(163,736)</u>
Total Restricted Net Assets as Reported	<u>\$ 3,332,207</u>

# CITY OF EAU CLAIRE

## NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2003

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

#### **D. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2003 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 14,402,962	\$ 1,193,760	\$ 367,130	\$ 15,229,562
Construction in progress	<u>6,782,048</u>	<u>615,675</u>	<u>6,763,598</u>	<u>634,125</u>
Total Capital Assets Not Being Depreciated	<u>\$ 21,185,010</u>	<u>\$ 1,809,435</u>	<u>\$ 7,130,728</u>	<u>\$ 15,863,687</u>
Capital Assets Being Depreciated:				
Land improvements	\$ 2,117,014	\$ 148,564	\$ -	\$ 2,265,578
Buildings	18,773,518	114,898	68,160	18,820,256
Machinery and equipment	24,298,097	4,110,522	2,439,418	25,969,201
Infrastructure	<u>99,241,981</u>	<u>8,126,021</u>	<u>-</u>	<u>107,368,002</u>
Total Capital Assets Being Depreciated	<u>144,430,610</u>	<u>12,500,005</u>	<u>2,507,578</u>	<u>154,423,037</u>
Less: Accumulated Depreciation for:				
Land improvements	399,160	136,292	-	535,452
Buildings	7,944,574	493,523	-	8,438,097
Machinery and equipment	11,915,326	2,694,596	1,815,407	12,794,515
Infrastructure	<u>34,223,410</u>	<u>3,091,020</u>	<u>-</u>	<u>37,314,430</u>
Total Accumulated Depreciation	<u>54,482,470</u>	<u>6,415,431</u>	<u>1,815,407</u>	<u>59,082,494</u>
Capital Assets, Net of Depreciation	<u>\$ 89,948,140</u>	<u>\$ 6,084,574</u>	<u>\$ 692,171</u>	<u>\$ 95,340,543</u>

# CITY OF EAU CLAIRE

## NOTES TO THE BASIC FINANCIAL STATEMENTS December 31, 2003

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### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

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#### **D. CAPITAL ASSETS (cont.)**

Depreciation expense was charged to functions as follows:

#### **Governmental Activities**

General government	\$ 594,399
Public safety	561,104
Public works, which includes the depreciation of infrastructure	3,634,963
Health and human services	9,272
Culture, recreation, and education	1,607,726
Conservation and development	<u>7,967</u>

Total Governmental Activities Depreciation Expense	<u>\$ 6,415,431</u>
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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Business-Type Activities</b>				
Capital Assets Not Being Depreciated:				
Construction in progress	\$ 9,197,260	\$ 5,741,412	\$ 8,374,132	\$ 6,564,540
Land	<u>10,495,297</u>	<u>4,078,440</u>	<u>-</u>	<u>14,573,737</u>
 Total Capital Assets Not Being Depreciated	 <u>\$ 19,692,557</u>	 <u>\$ 9,819,852</u>	 <u>\$ 8,374,132</u>	 <u>\$ 21,138,277</u>
 Other Capital Assets				
Improvements	\$ 2,242,827	\$ -	\$ -	\$ 2,242,827
Buildings	29,698,850	461,554	114,175	30,046,229
Distribution and collection systems	102,030,075	5,560,406	657,210	106,933,271
Source of supply system	889,335	-	-	889,335
Machinery and equipment	<u>13,592,156</u>	<u>289,731</u>	<u>68,649</u>	<u>13,813,238</u>
 Total Capital Assets Being Depreciated	 <u>148,453,243</u>	 <u>6,311,691</u>	 <u>840,034</u>	 <u>153,924,900</u>



# CITY OF EAU CLAIRE

## NOTES TO THE BASIC FINANCIAL STATEMENTS December 31, 2003

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

#### **D. CAPITAL ASSETS (cont.)**

	Beginning Balance	Additions	Deletions	Ending Balance
Less: Accumulated depreciation for:				
Improvements	\$ 865,595	\$ 78,074	\$ -	\$ 943,669
Buildings	11,612,370	756,701	114,175	12,254,896
Distribution and collection systems	24,101,507	1,877,012	656,243	25,322,276
Source of supply system	536,702	23,987	-	560,689
Machinery and equipment	5,353,882	909,765	54,026	6,209,621
 Total Accumulated Depreciation	 42,470,056	 3,645,539	 824,444	 45,291,151
 Total capital assets, being depreciated, net	 105,983,187	 2,666,152	 15,590	 108,633,749
 Business-type activities capital assets, net	 <u>\$ 125,675,744</u>	 <u>\$ 12,486,004</u>	 <u>\$ 8,389,722</u>	 <u>\$ 129,772,026</u>

Depreciation expense was charged to functions as follows:

#### **Business-Type Activities**

Water	\$ 1,269,214
Sewer	1,150,902
Storm Water	317,879
Public Transit	553,613
Parking Utility	152,837
Hobbs Ice Center	72,688
Outdoor Pool	46,539
Other	81,867
 Total Business – Type Activities Depreciation Expense	 <u>\$ 3,645,539</u>

## CITY OF EAU CLAIRE

### NOTES TO THE BASIC FINANCIAL STATEMENTS December 31, 2003

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#### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

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##### *E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS*

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Special Revenue – Public Library	\$ 7,305
General fund	Special Revenue – City-County Health	8,499
General fund	Special Revenue – Community Enhancement	82,915
General fund	Special Revenue – Home Grant	5,525
General fund	Enterprise – Public Transit	914,478
Special Revenue – Public Library	Internal Service – Risk Management	740
Internal Service – Central Equipment	Special Revenue – Public Library	146
Subtotal – Fund financial statements		1,019,608
Less: Fund eliminations		(105,130)
Total interfunds		914,478
Interfund advances		6,621,899
Adjustment to reflect internal service fund activities related to enterprise funds		(165,907)
Total – Government-Wide Statement of Net Assets		<u>\$ 7,370,470</u>

These interfunds resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All amounts are expected to be repaid within one year.

For the statement of net assets, interfund balances which are owed within the governmental activities or business-type activities are netted and eliminated.

The general fund is advancing funds to the water utility, sewer utility, and the outdoor pool fund. The general fund is charging the other funds interest on the advances based on the balance outstanding before the principal payment for the current year. The interest rate on the water utility advances is 5.8% – 7.7%. The rate being charged on the sewer utility and outdoor pool advances is 7.25%.

# CITY OF EAU CLAIRE

## NOTES TO THE BASIC FINANCIAL STATEMENTS December 31, 2003

### **NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)**

#### ***E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (cont.)***

The following is a schedule of interfund advances:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Amount Not Due Within One Year</u>
General fund	Water Utility	\$ 4,890,477	\$ 4,615,088
General fund	Sewer Utility	951,422	921,257
General fund	Outdoor Pool	<u>780,000</u>	<u>680,000</u>
Total – Government-Wide Statement of Net Assets and Financial Statements		<u>\$ 6,621,899</u>	<u>\$ 6,216,345</u>

The principle purpose of the general fund advances to advance funds for capital construction projects and collateral on a letter of credit.

Annual repayment of principal and interest are made according to the following schedule:

<u>Years</u>	<u>Advances</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2004	\$ 405,554	\$ 450,146	\$ 855,700
2005	441,168	424,709	865,877
2006	473,293	397,420	870,713
2007	488,365	368,135	856,500
2008	523,843	338,376	862,219
2009 – 2013	2,379,821	1,205,617	3,585,438
2014 – 2018	1,731,220	413,139	2,144,359
2019 – 2020	<u>178,635</u>	<u>19,653</u>	<u>198,288</u>
Totals	<u>\$ 6,621,899</u>	<u>\$ 3,617,195</u>	<u>\$ 10,239,094</u>

# CITY OF EAU CLAIRE

## NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2003

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

#### **E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (cont.)**

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
<b>General fund</b>	Community Enhancement	\$ 45,500	To fund general fund special events.
	Community Development	84,765	To fund salaries.
	Water Utility	1,003,248	Payment in lieu of tax
	Sewer Utility	250,000	To pay back contributed capital
	Sewer Utility	26,078	Payment in lieu of tax
	Storm Water Utility	633	Payment in lieu of tax
<b>Special Revenue</b>			
Economic Development	General fund	150,000	Operating subsidy
Cemetery Maintenance	General fund	312,527	Operating subsidy
Downtown Partners	Economic Development	99,000	Operating subsidy
City-County Health	Community Development	49,357	Fund code enforcement project
<b>Debt Service</b>	General fund	2,146,870	Debt service payments
	Public Library	134,016	Debt service payments
<b>Capital Projects</b>			
Buildings and Equipment	General fund	953,000	Fund various projects
Buildings and Equipment	Community Development	125,937	Fund comprehensive plan
Street Projects	General fund	37,500	Subsidize street projects
Street Projects	Community Development	18,460	Fund tree planting
Bridges	General fund	100,000	Fund Eddy Street bridge project
Parks and Recreation	General fund	200,000	Subsidize various park projects
Parks and Recreation	Community Enhancement	236,000	Fund park development projects
Parks and Recreation	Community Development	75,244	Fund playground equipment
TID #8 Downtown Development	Economic Development	200,000	Fund Phoenix Park projects
TID #8 Downtown Development	Street Projects	500,000	Fund RCU parking lot
TID #8 Downtown Development	Risk Management	160,000	Debt service payments
Library Buildings and Equipment	Public Library	172,800	Fund technology upgrade
Environmental Improvement	Risk Management	95,000	Fund City owned landfill and environmental projects

# CITY OF EAU CLAIRE

## NOTES TO THE BASIC FINANCIAL STATEMENTS December 31, 2003

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

#### E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (cont.)

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
<b>Enterprise</b>			
Storm Water Utility	Community Development	\$ 70	Subsidize street project
Parking Utility	General fund	75,000	Subsidize parking ramp renovations
Public Transit	General fund	652,846	Operating subsidy
Hobbs Ice Center	General fund	135,830	Facilities improvements and operating subsidy
Hobbs Ice Center	Community Enhancement	50,000	Fund facility improvements
Outdoor Pool	General fund	233,481	Debt payments, operating subsidy, and facility improvements
<b>Internal Service</b>			
Central Equipment	Hazardous Materials	30,232	Fund vehicle purchase
Subtotal – Fund Financial Statements		8,353,394	
Less: Fund eliminations		(8,220,662)	
Total – Government-Wide Statement of Activities		\$ 132,732	

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

# CITY OF EAU CLAIRE

## NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2003

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

#### **F. LONG-TERM OBLIGATIONS**

Long-term obligations activity for the year ended December 31, 2003 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds and Notes Payable:					
General obligation bonds	\$ 39,600,000	\$ 13,585,000	\$ 7,515,000	\$ 45,670,000	\$ 3,485,000
State trust fund notes	94,680	-	23,670	71,010	23,670
Sub-total	<u>39,694,680</u>	<u>13,585,000</u>	<u>7,538,670</u>	<u>45,741,010</u>	<u>3,508,670</u>
Other Liabilities					
Vested compensated absences	998,038	3,039,409	2,011,497	2,025,950	2,025,950
Police and fire pensions	904,830	-	40,194	864,636	155,092
State retirement fund	8,106,367	624,217	314,404	8,416,180	314,404
Duty disability	4,002,998	382,488	394,764	3,990,722	517,788
Unpaid self-insurance claims	1,195,579	447,826	740,015	903,390	220,000
Total Other Liabilities	<u>15,207,812</u>	<u>4,493,940</u>	<u>3,500,874</u>	<u>16,200,878</u>	<u>3,233,234</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 54,902,492</u>	<u>\$ 18,078,940</u>	<u>\$ 11,039,544</u>	<u>\$ 61,941,888</u>	<u>\$ 6,741,904</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Bonds and Notes Payable:					
General obligation bonds	\$ 9,750,000	\$ 1,590,000	\$ 350,000	\$ 10,990,000	\$ 475,000
State trust fund notes	-	320,000	-	320,000	-
Revenue bonds	12,655,000	2,310,000	2,225,000	12,740,000	1,055,000
Sub-total	<u>22,405,000</u>	<u>4,220,000</u>	<u>2,575,000</u>	<u>24,050,000</u>	<u>1,530,000</u>
Other Liabilities:					
Vested compensated absences	164,433	581,285	397,115	348,603	348,603
Total Business-Type Activities Long-Term Liabilities	<u>\$ 22,569,433</u>	<u>\$ 4,801,285</u>	<u>\$ 2,972,115</u>	<u>\$ 24,398,603</u>	<u>\$ 1,878,603</u>

# CITY OF EAU CLAIRE

## NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2003

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

#### F. LONG-TERM OBLIGATIONS (cont.)

##### General Obligation Debt

All general obligation notes and bonds payable are backed by the full faith and credit of the City. Tax incremental bonds are paid by segregated property taxes, but are ultimately backed by the full faith and credit of the City if incremental taxes are inadequate to meet payments. Business-type activities debt is payable by revenues from user fees of those funds or, if the revenues are not sufficient, by future tax levies.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the City may not exceed five percent of the equalized value of taxable property within the City's jurisdiction. The debt limit as of December 31, 2003, was \$166,528,040. Total general obligation debt outstanding at year end was \$57,051,010.

	Date of Issue	Final Maturity	Interest Rates	Original Indebted- ness	Balance 12-31-03
<b>Governmental Activities</b>					
<b>General Obligation Bonds</b>					
Corporate purpose	09/01/96	04/01/07	4.8-5.1%	\$ 2,950,000	\$ 1,180,000
Tax incremental bonds	09/01/96	04/01/16	4.8-5.5%	3,000,000	2,300,000
Corporate purpose	08/01/97	04/01/17	4.9-5.35%	5,185,000	3,225,000
Tax incremental bonds	08/01/97	04/01/17	4.9-5.35%	5,815,000	4,745,000
Corporate purpose	09/15/98	04/01/18	4.45-4.5%	6,650,000	4,850,000
Corporate purpose	09/01/99	04/01/19	4.65-5.5%	6,450,000	4,465,000
Tax incremental bonds	09/01/99	04/01/16	4.65-5.5%	395,000	355,000
Corporate purpose	08/01/00	04/01/20	5.0-5.5%	4,730,000	3,830,000
Tax incremental bonds	08/08/00	04/01/20	5.0-5.5%	1,780,000	1,745,000
Corporate purpose	08/15/01	04/01/21	4.13-5.0%	8,700,000	7,735,000
Corporate purpose	08/27/02	10/01/15	2.85-3.875%	4,120,000	3,590,000
Corporate purpose	08/27/02	10/01/22	3.7-4.7%	3,700,000	3,465,000
Tax incremental bonds	09/15/03	04/01/09	2.75-4.0%	900,000	900,000
Corporate purpose	09/15/03	04/01/14	3.625-4.8%	9,870,000	9,870,000
Corporate purpose	09/15/03	04/01/14	3.5-3.75%	4,405,000	4,405,000
Subtotal					56,660,000
Less: Enterprise portion of G.O. Bonds					(10,990,000)
Total- Bonds					\$ 45,670,000

# CITY OF EAU CLAIRE

## NOTES TO THE BASIC FINANCIAL STATEMENTS December 31, 2003

### **NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)**

#### **F. LONG-TERM OBLIGATIONS (cont.)**

##### **General Obligation Debt (cont.)**

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebted- ness</u>	<u>Balance 12-31-03</u>
Governmental Activities					
State trust fund note	01/15/87	03/15/06	7.25%	\$ 450,000	\$ 71,010
Total Governmental Activities – General Obligation Debt					<u>\$ 45,741,010</u>
Business-Type Activities General Obligation Debt					
State trust fund note	08/27/03	3/15/13	4.5%	\$ 320,000	\$ 320,000
Plus: Enterprise portion of G.O.Bonds					<u>10,990,000</u>
Total Business-Type Activities General Obligation Debt					<u>11,310,000</u>
Total General Obligation Debt					<u>\$ 57,051,010</u>

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Governmental Activities General Obligation Debt</u>		<u>Business-Type Activities General Obligation Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 3,508,670	\$ 1,994,694	\$ 410,000	\$ 511,811
2005	3,533,670	1,819,042	467,742	510,138
2006	3,408,670	1,671,486	486,696	481,793
2007	3,625,000	1,519,941	513,122	460,093
2008	3,135,000	1,376,309	534,584	437,092
2009 – 2013	13,925,000	4,959,257	3,147,856	1,785,667
2014 – 2018	9,860,000	2,241,112	3,695,000	971,163
2019 – 2023	4,745,000	494,763	2,055,000	178,149
Totals	<u>\$ 45,741,010</u>	<u>\$16,076,604</u>	<u>\$ 11,310,000</u>	<u>\$ 5,335,906</u>



# CITY OF EAU CLAIRE

## NOTES TO THE BASIC FINANCIAL STATEMENTS December 31, 2003

### **NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)**

#### **F. LONG-TERM OBLIGATIONS (cont.)**

##### **Revenue Debt**

Business-type activities revenue bonds are payable only from revenues derived from the operation of the water and sewer utilities.

Revenue debt payable at December 31, 2003 consists of the following:

##### **Business-Type Activities Revenue Debt**

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebted- ness</u>	<u>Balance 12-31-03</u>
<u>Water Utility</u>					
Revenue bonds	09/01/96	10/01/10	5-5.5%	\$ 1,000,000	\$ 700,000
Revenue bonds	08/01/97	10/01/16	5.15-5.4%	3,500,000	2,925,000
Revenue bonds	08/15/01	10/01/16	4-4.8%	4,615,000	4,390,000
Revenue bonds	09/15/03	10/01/14	2.5-4.3%	2,310,000	2,310,000
				<b>Total Water Utility</b>	<u>10,325,000</u>
<u>Sewer Utility</u>					
Revenue bonds	08/27/02	10/01/08	2.5-3.0%	\$ 2,845,000	2,415,000
				<b>Total Sewer Utility</b>	<u>2,415,000</u>
				<b>Total Business-type Activities Revenue Debt</b>	<u><u>\$ 12,740,000</u></u>

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Business-Type Activities Revenue Debt</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2004	\$ 1,055,000	\$ 528,302	\$ 1,583,302
2005	1,090,000	489,358	1,579,358
2006	1,135,000	452,568	1,587,568
2007	1,175,000	414,904	1,589,904
2008	1,210,000	373,736	1,583,736
2009 – 2013	4,015,000	1,306,059	5,321,059
2014 – 2018	<u>3,060,000</u>	<u>314,969</u>	<u>3,374,969</u>
Totals	<u>\$ 12,740,000</u>	<u>\$ 3,879,896</u>	<u>\$ 16,619,896</u>

## CITY OF EAU CLAIRE

### NOTES TO THE BASIC FINANCIAL STATEMENTS December 31, 2003

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#### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

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##### *F. LONG-TERM OBLIGATIONS (cont.)*

###### ***Other Debt Information***

Estimated payments of compensated absences are not included in the debt service requirement schedules. The compensated absences liability attributable to governmental activities will be liquidated primarily by the general fund.

A statutory mortgage lien upon the City's system and any additions, improvements and extensions thereto is created by Section 66.066 of the Wisconsin Statutes as provided for in the ordinances creating the revenue bond issue. The City's system and the earnings of the system remain subject to the lien until payment in full of the principal and interest on the bonds.

There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. The City believes it is in compliance with all significant limitations and restrictions, including federal arbitrage regulations.

###### ***Current Refunding***

On September 15, 2003, the City issued \$4,405,000 in general obligation bonds. \$2,000,000 of this issue was used to make the 2003 payment on the outstanding 2002 bond anticipation notes. The remaining portion of \$2,405,000, with an average interest rate of 3.60 percent, was used to refund \$2,570,000 of outstanding 1994 general obligation bonds with an average interest rate of 5.27 percent. The net proceeds of \$4,425,120 (after payment of \$27,808 in underwriting fees, insurance and other issuance costs) plus an additional \$63,733 of debt service funds and \$39,681 of other City funds were used to call the 1994 general obligation bonds and to pay off the 2002 bond anticipation notes.

The cash flow requirements on the refunded bonds prior to the current refunding was \$3,231,800 from 2003 through 2014. The cash flow requirements on the 2003 refunding bonds are \$2,906,645 from 2004 through 2014. The current refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$214,619.

###### ***Deferred Amount on Refunding***

Deferred amounts on refunding arise from advance refunding of debt. The difference between the cost of the securities placed in trust for future payment of refunded debt and the net carrying value of that debt is deferred and amortized as a component of interest expense over the shorter of the term of the refunding issue or the original term of the refunded debt. The unamortized amount is reported as a deduction from debt payable in the government-wide and proprietary fund statements. Amortization for 2003 was \$9,147, all of which is for the Water Utility.

# CITY OF EAU CLAIRE

## NOTES TO THE BASIC FINANCIAL STATEMENTS December 31, 2003

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### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

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#### **G. LEASE DISCLOSURES**

The City has no material leases as lessee or lessor.

#### **H. NOTES RECEIVABLE**

At December 31, 2003 the General fund had one note receivable totaling \$25,000. This note will be paid by the Chippewa Valley Incubation Center which used the proceeds to partially fund a loan pool that is designed to provide beginning businesses with loans to purchase machinery and equipment.

The Community Development Special Revenue fund has notes receivable of \$2,713,739 at December 31, 2003, with maturities to the year 2018. These loans include \$778,279 for four small industry and economic development loans and \$1,935,460 for loans to residential and light commercial property owners for rehabilitation projects. The rehabilitation loan balance includes 247 loans which are all required to be secured by a lien on the property. Some loans can be deferred until the property is sold. Interest on these loans is either lower than market or zero. The City discontinued the small industry loan program in 1989.

#### **I. NET ASSETS/FUND BALANCES**

Net assets reported on the government wide statement of net assets at December 31, 2003 includes the following:

##### **Governmental Activities**

Invested in capital assets, net of related debt	
Construction in progress	\$ 634,125
Land	15,229,562
Other capital assets, net of accumulated depreciation	95,340,543
Less: related long-term debt outstanding (excluding unspent capital related debt proceeds)	<u>(34,583,972)</u>
Total Invested in Capital Assets	<u>76,620,258</u>
Restricted	
Restricted deposits	930,232
Restricted for debt service	8,036,466
Unspent grant proceeds	268,110
Unspent bond proceeds	5,064,970
Restricted for new loans	13,722
Restricted per RCU agreement	<u>306,300</u>
Total Restricted	<u>14,619,800</u>
Unrestricted	<u>38,307,037</u>
Total Governmental Activities Net Assets	<u>\$ 129,547,095</u>

## CITY OF EAU CLAIRE

### NOTES TO THE BASIC FINANCIAL STATEMENTS December 31, 2003

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#### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

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##### **I. NET ASSETS/FUND BALANCES (cont.)**

##### **Governmental Activities (cont.)**

Governmental fund balances reported on the fund financial statements at December 31, 2003 include the following:

##### **Reserved**

##### **Major Funds**

##### **General Fund**

Notes receivable	\$ 25,000
Advances to other funds (noncurrent portion)	6,216,345
Prepaid items	<u>125,980</u>
Total	<u>\$ 6,367,325</u>

##### **General Debt Service Fund**

Reserved for debt service	<u>\$ 4,360,037</u>
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##### **Non-Major Funds**

##### **Debt Service – TIF No. 4**

Reserved for TID No. 4 debt service	\$ 4,200,224
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##### **Special Revenue – Economic Development**

Reserved for grant proceeds	\$ 268,110
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##### **Special Revenue – Home Grant**

Reserved for new loans	\$ 13,722
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##### **Capital Projects – TIF No. 8 Downtown Development**

Reserved for advances to component unit	\$ 1,310,000
Reserved for capital contracts	22,721
Reserved for bond construction	<u>4,993,401</u>
Total	<u>\$ 6,326,122</u>

##### **Capital Projects – TIF No. 7 Soo Line Development**

Reserved for bond construction	\$ 71,569
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##### **Capital Projects - Street Projects**

Reserved for bond construction	\$ 770,157
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##### **Capital Projects – Bridge Projects**

Reserved for capital contracts	\$ 148,639
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##### **Capital Projects – Buildings and Equipment**

Reserved for capital contracts	\$ 256,033
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##### **Capital Projects – Parks and Recreation Projects**

Reserved for capital contracts	\$ 20,937
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## CITY OF EAU CLAIRE

### NOTES TO THE BASIC FINANCIAL STATEMENTS December 31, 2003

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#### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

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##### **I. NET ASSETS/FUND BALANCES (cont.)**

###### **Governmental Activities (cont.)**

###### Capital Projects – Environmental Improvements - Landfill

Reserved for capital contracts	\$ 1,200
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Reserved for environmental remediation	306,300
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Total	<u>\$ 307,500</u>
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###### Capital Projects – Library Buildings and Equipment

Reserved for capital contracts	\$ 32,770
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Total reserved fund balance – nonmajor funds	<u>\$ 12,415,783</u>
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###### **Unreserved, undesignated**

###### Major Funds

General fund	<u>\$ 2,896,215</u>
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###### **Unreserved, designated**

###### Major Funds

###### General fund designated for

Working capital	\$ 3,700,000
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Subsequent year expenditures	<u>3,009,720</u>
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Total	<u>\$ 6,709,720</u>
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## CITY OF EAU CLAIRE

### NOTES TO THE BASIC FINANCIAL STATEMENTS December 31, 2003

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#### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

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##### I. NET ASSETS/FUND BALANCES (cont.)

###### Unreserved, designated

###### Non-Major Funds

###### Special Revenue Funds designated for Cemetery Maintenance

- Subsequent year expenditures \$ 142,442

Hazardous Materials Response - Subsequent year expenditures 307,392

Community Development - Subsequent year expenditures 270,391

Economic Development - Economic development 950,000  
- Subsequent year expenditures 4,698,108  
- Code compliance loans 96,684

Community Enhancement - Subsequent year expenditures 21

Public Library - Library funds 61,724  
- Capital projects 162,800  
- Subsequent year expenditures 196,931

City-County Health Department - Future expenditures 80,100  
- Subsequent year expenditures 349,167

Downtown Partners - Subsequent year expenditures 34,722

Subtotal – Special Revenue Funds 7,350,482

###### Capital Projects Funds designated for

Industrial Development - Subsequent year expenditures 104,705

TIF #5 Gateway NW Business Park - Subsequent year expenditures 675,450

TIF #6 NE Industrial Area - Subsequent year expenditures 347,697

TIF #7 Soo Line Development - Subsequent year expenditures 153,945

TIF #8 Downtown Development - Subsequent year expenditures 589,413

Street Projects - Subsequent year expenditures 1,826,666

Bridge Projects - Subsequent year expenditures 1,041,310

Buildings and Equipment - Subsequent year expenditures 1,734,215

Parks and Recreation Projects - Subsequent year expenditures 1,590,597

Environmental Improvements- Landfill - Subsequent year expenditures 1,399,579

Library Buildings and Equipment - Subsequent year expenditures 548,477

Subtotal – Capital Projects Funds 10,012,054

Total designations – nonmajor funds \$ 17,362,536

# CITY OF EAU CLAIRE

## NOTES TO THE BASIC FINANCIAL STATEMENTS December 31, 2003

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### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

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#### ***I. NET ASSETS/FUND BALANCES (cont.)***

##### ***Business-Type Activities***

Invested in capital assets, net of related debt	
Construction in progress	\$ 6,564,540
Land	14,573,737
Other capital assets, net of accumulated depreciation	108,633,749
Less: related long-term debt outstanding (excluding unspent capital related debt proceeds)	<u>(24,050,000)</u>
Total Invested in Capital Assets	<u>105,722,026</u>
Restricted	
Unspent bond proceeds	1,793,713
Debt service payments	815,494
Equipment replacement	<u>723,000</u>
Total Restricted	<u>3,332,207</u>
Unrestricted	<u>13,332,743</u>
Total Business-Type Activities Net Assets	<u>\$ 122,386,976</u>

#### ***J. RESTATEMENT OF FUND BALANCES/NET ASSETS***

Prior to 2003 the City reported a Stormwater Management special revenue fund and a Stormwater Management capital projects fund. These funds were combined into one fund which is now reported as an enterprise fund. Net assets have been restated as follows:

##### ***STORM WATER UTILITY FUND***

Stormwater Management special revenue fund balance	
– December 31, 2002 (as reported)	\$ 903,356
Stormwater capital projects fund balance	
– December 31, 2002 (as reported)	4,018,870
Add: Fixed assets capitalized	22,648,249
Add: Work in progress capitalized	6,521,856
Add: Deferred revenue balance at December 31, 2002	75,981
Add: Unbilled revenue accrual	150,839
Less: Outstanding principal at December 31, 2002	<u>(9,750,000)</u>
Less: Accrued interest at December 31, 2002	<u>(119,053)</u>
Net assets – January 1, 2003 (as restated)	<u>\$ 24,450,098</u>

# CITY OF EAU CLAIRE

## NOTES TO THE BASIC FINANCIAL STATEMENTS December 31, 2003

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

#### ***K. COMPONENT UNITS***

##### ***Housing Authority***

This report contains the Housing Authority of the City of Eau Claire (Housing Authority), which is included as a component unit. Financial information is combined with the City's other component units and presented as a separate column in the statement of net assets and statement of activities.

In addition to the basic financial statements and the preceding notes to financial statements which apply, the following additional disclosures are considered necessary for a fair presentation.

a. Basis of Accounting/Measurement Focus

The Housing Authority follows the full accrual basis of accounting and the flow of economic resources measurement focus.

b. Investments

The Housing Authority's investments are categorized in the following categories based on the descriptions used in Note III. A.

	Category			Balance	Carrying Amount/ Fair Value
	1	2	3		
U.S. government securities	<u>\$ 1,158,406</u>	<u>-</u>	<u>\$ 593,266</u>	<u>\$ 1,751,672</u>	<u>\$ 1,752,781</u>
Cash with escrow agent (pooled funds)					1,958,159
Petty cash					<u>1,055</u>
Total Investments and petty cash					<u>\$ 3,711,995</u>

c. Deposits

At year end all deposits with a carrying value of \$381,215 and a bank balance of \$490,517 were insured by the FDIC or covered by perfected collateral pledges. Deposits in each local and area bank are insured by the FDIC in the amount of \$100,000 for all interest bearing accounts and \$100,000 for all non-interest bearing accounts. Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual entities. This coverage has been considered in computing the insured amounts above. Fluctuating cash flows during the year due to receipt of grants and/or proceeds from borrowing may have resulted in temporary balances exceeding insured amounts by substantially higher amounts.



# CITY OF EAU CLAIRE

## NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2003

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

#### **K. COMPONENT UNITS (cont.)**

##### d. Cash and Cash Equivalents

For purposes of the combined statement of cash flows, the Housing Authority considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

##### e. Receivables

Accounts Receivable - tenants	\$ 10,737
Less: Allowance for Uncollectibles	(1,185)
Due from other governments	<u>35,098</u>
Net Total Receivables	<u>\$ 44,650</u>
Amounts not expected to be collected within one year	\$ -

##### f. Capital asset activity for the year ended December 31, 2003 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated:				
Land	<u>\$ 1,297,779</u>	<u>\$ 21,000</u>	<u>\$ 25,375</u>	<u>\$ 1,293,404</u>
Other Capital Assets				
Land improvements	\$ 958,302	\$ 25,230	\$ 27,922	\$ 955,610
Buildings	12,897,984	613,926	175,268	13,336,642
Machinery and equipment	<u>745,730</u>	<u>78,933</u>	<u>64,886</u>	<u>759,777</u>
Total Capital Assets Being Depreciated	<u>14,602,016</u>	<u>718,089</u>	<u>268,076</u>	<u>15,052,029</u>
Less: Accumulated depreciation for:				
Land improvements	270,911	38,914	7,446	302,379
Buildings	3,818,486	349,976	19,544	4,207,405
Machinery and equipment	<u>428,568</u>	<u>35,134</u>	<u>61,112</u>	<u>344,103</u>
Total Accumulated Depreciation	<u>4,517,965</u>	<u>424,024</u>	<u>88,102</u>	<u>4,853,887</u>
Net Other Capital Assets	<u>\$ 10,084,051</u>	<u>\$ 294,065</u>	<u>\$ 179,974</u>	<u>\$ 10,198,142</u>

# CITY OF EAU CLAIRE

## NOTES TO THE BASIC FINANCIAL STATEMENTS December 31, 2003

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

#### **K. COMPONENT UNITS (cont.)**

##### **g. Long-Term Obligations**

Long-term obligations activity for the year ended December 31, 2003 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Bonds and Notes Payable:</b>					
Revenue bonds	\$ 165,000	\$ -	\$ 15,000	\$ 150,000	\$ 20,000
Mortgage notes	2,102,441	-	226,604	1,875,837	244,268
Other loans/notes	795,363	150,000	6,738	938,625	7,052
Subtotal	3,062,804	150,000	248,342	2,964,462	271,320
<b>Other Liabilities:</b>					
Vested compensated absences	28,937	45,291	50,036	24,192	24,192
<b>Total Long-Term Liabilities</b>	<b>\$ 3,091,741</b>	<b>\$ 195,291</b>	<b>\$ 298,378</b>	<b>\$ 2,988,654</b>	<b>\$ 295,512</b>
Total Long-Term Liabilities – Housing Authority					\$ 2,988,654
Total Long-Term Liabilities – Redevelopment Authority					11,240
Total Long-Term Liabilities – Statement of Net Assets					<u>\$ 2,999,894</u>

Revenue bonds are payable only from revenues derived from the operation of the Housing Authority.

Revenue debt payable at December 31, 2003 consists of the following:

#### ***Owen Rust Memorial Apartments***

Series 1993 housing refunding revenue bonds, \$295,000 face value, payable in semi-annual installments including interest at 2.8% - 5.25% through December 1, 2010.

	<u>\$ 150,000</u>
<b>Total Revenue Debt</b>	<u><u>\$ 150,000</u></u>

Debt service requirements to maturity are as follows:

	Principal	Interest
2004	\$ 20,000	\$ 7,875
2005	20,000	6,825
2006	20,000	5,775
2007	20,000	4,725
2008	20,000	3,675
2009 – 2010	50,000	3,938
Totals	<u>\$ 150,000</u>	<u>\$ 32,813</u>

# CITY OF EAU CLAIRE

## NOTES TO THE BASIC FINANCIAL STATEMENTS December 31, 2003

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

#### **K. COMPONENT UNITS (cont.)**

##### **g. Long-Term Obligations (cont.)**

#### **MORTGAGE NOTES**

Mortgage notes are payable only from revenues derived from the operation of the Housing Authority.

Mortgage notes payable at December 31, 2003 consists of the following:

#### **Park Towers Apartments**

Mortgage note payable to WHEDA in monthly installments of \$31,434 including interest at 7.53%, through March, 2010. Secured by the project's real estate.

\$ 1,875,837

Total Mortgage Notes

\$ 1,875,837

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>
2004	\$ 244,268	\$ 132,934
2005	263,310	113,893
2006	283,836	93,367
2007	305,962	71,241
2008	329,813	47,390
2009 – 2010	<u>448,648</u>	<u>22,851</u>
Totals	<u>\$ 1,875,837</u>	<u>\$ 481,676</u>

#### **OTHER LOANS/NOTES PAYABLE**

Other loans and notes payable at December 31, 2003 consist of the following:

#### **Substantial Rehabilitation**

1982 note payable to the City of Eau Claire Community Development Block Grant Program, requires monthly installment of \$777, which includes principal and interest at a rate of 5%, due February 1, 2010.

\$ 48,522

#### **Park Towers Apartments**

1992 note payable from the City of Eau Claire Community Development Block Grant Program, the note is non-interest bearing and is due on demand should certain conditions be met.

195,462

1991 note payable to the City of Eau Claire, Community Development Block Grant Program. Unsecured, non-interest bearing, and due on demand.

63,000

# CITY OF EAU CLAIRE

## NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2003

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

#### **K. COMPONENT UNITS (cont.)**

##### g. Long-Term Obligations (cont.)

##### **Home Ownership**

1991 note payable to the City of Eau Claire Community Development Block Grant Program, the note is non-interest bearing and is due on demand should certain conditions be met. \$ 331,641

##### **Affordable Housing**

2003 note payable to the City of Eau Claire HOME Investment Partnerships Program, the note is non-interest bearing and is due on demand should certain conditions be met. 150,000

1997 note payable to the City of Eau Claire Community Development Block Grant Program, the note is non-interest bearing and is due on demand should certain conditions be met. 150,000

Total Notes Payable \$ 938,625

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>
2004	\$ 7,052	\$ 2,272
2005	7,413	1,911
2006	7,792	1,532
2007	8,191	1,133
2008	8,610	714
2009 – 2010	<u>9,464</u>	<u>40</u>
	48,522	7,602
 Demand notes with no set payment schedule	 <u>890,103</u>	 <u>-</u>
Totals	<u><u>\$ 938,625</u></u>	<u><u>\$ 7,602</u></u>

## CITY OF EAU CLAIRE

### NOTES TO THE BASIC FINANCIAL STATEMENTS December 31, 2003

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#### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

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##### **K. COMPONENT UNITS** (cont.)

##### g. Long-Term Obligations (cont.)

##### **OTHER DEBT INFORMATION**

Estimated payments of compensated absences are not included in the debt service requirement schedules.

There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. The Housing Authority believes it is in compliance with all significant limitations and restrictions.

##### h. Net Assets

Net assets reported on the statement of net assets at December 31, 2003 includes the following:

Invested in capital assets, net of related debt	
Land	\$ 1,293,404
Other capital assets, net of accumulated depreciation	10,198,142
Less: related long-term debt outstanding (excluding unspent capital related debt proceeds)	(2,964,462)
Total Invested in Capital Assets	<u>8,527,084</u>
Restricted	
Escrow for replacement	1,609,179
Escrow for development costs	113,903
Escrow for residual receipts	235,077
Total Restricted	<u>1,958,159</u>
Unrestricted	<u>2,079,852</u>
Total Net Assets	<u>\$ 12,565,095</u>

##### i. Restatement of Net Assets

Net assets have been restated for the following items:

Net assets – December 31, 2002 (as previously reported)	\$ 12,262,875
Add: Recording of prepaid insurance	28,407
Add: Adjustment of accounts receivable	1,275
Net assets – January 1, 2003 (as restated)	<u>\$ 12,292,557</u>

## CITY OF EAU CLAIRE

### NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2003

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#### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

---

##### ***K. COMPONENT UNITS*** (cont.)

##### j. Employee Retirement System

The Housing Authority is staffed by City of Eau Claire employees and Housing Authority employees.

All eligible City and Housing Authority employees participate in the Wisconsin Retirement System (System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year are eligible to participate in the System. Covered employees in the General category are required by statute to contribute 5.2% of their salary (3.9% for Executives and Elected Officials, 3.8% for Protective Occupations with Social Security, and 3.3% for Protective Occupations without Social Security) to the plan. Employers generally make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for Housing Authority employees covered by the system for the year ended December 31, 2003 was \$407,020; the employer's total payroll was \$429,495. The total required contribution for the year ended December 31, 2003 was \$38,258 or 9.4 percent of covered payroll. Of this amount, 100 percent was contributed for the current year. Total contributions for the years ending December 31, 2002 and 2001 were \$35,618 and \$34,364, respectively, equal to the required contributions for each year. The City of Eau Claire employees who work for Housing Authority are covered under the City's plan. Detailed information can be found in the City of Eau Claire's financial statements. The related unfunded commitment to the plan is recorded as a liability on the Statement of Net Assets.

Employees who retire at or after age 65 (62 for elected officials and 55 for protective occupation employees) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Retirement benefits are calculated as 1.6% (2.0% for Executives, Elected Officials, and Protective Occupations with Social Security and 2.5% for Protective Occupations without Social Security) of final average earnings for each year of creditable service. Final average earnings is the average of the employee's three highest years earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 are immediately vested.

## CITY OF EAU CLAIRE

### NOTES TO THE BASIC FINANCIAL STATEMENTS December 31, 2003

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#### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

---

##### ***K. COMPONENT UNITS (cont.)***

##### **j. Employee Retirement System (cont.)**

The System also provides death and disability benefits for employees. Eligibility for and the amount of all benefits is determined under Chapter 40 of Wisconsin Statutes. The System issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

##### **k. Risk Management**

The Housing Authority is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

##### ***Self-Insurance***

The Housing Authority is insured for workers' compensation through the City of Eau Claire. The City of Eau Claire self-insures its workers' compensation exposure for the first \$250,000 of each occurrence, with an annual aggregate of \$1,000,000. A commercial stop loss policy was purchased to cover single losses in excess of \$250,000. Settled claims have not exceeded the commercial coverage in any of the past three years. Payments to the City's self-insurance program are based on historical cost estimates of amounts needed to pay prior and current year claims.

## CITY OF EAU CLAIRE

### NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2003

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#### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

---

##### ***K. COMPONENT UNITS*** (cont.)

###### **I. Commitments**

The Housing Authority has entered into a Regulatory Agreement with the Wisconsin Housing and Economic Development Authority (WHEDA) for the Park Tower Apartments Fund. The Regulatory Agreement contains, among other things, restrictions on the conveyance, transfer or encumbrance of any of the project property, assumption of additional indebtedness and assignment of rights to manage or receive the rents and profits of the property.

The Housing Authority provides housing for the Park Tower Apartments Fund pursuant to Section 8 of the United States Housing Act of 1974. Rentals are subsidized by the federal government through a housing assistance payments contract between WHEDA and the Housing Authority. Total assistance payments received from WHEDA were \$685,326 during 2003.

The Housing Authority is the City of Eau Claire's component unit responsible for administering the federal program accounted for in the Low Rent Fund. This fund accounts for public housing projects which were financed primarily through U.S. Department of Housing and Urban Development (HUD) project notes. Federal legislation was passed which allowed the Secretary of HUD to forgive the outstanding indebtedness related to public housing projects.

There is no project debt outstanding at year-end.

The Housing Authority has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

###### **m. Related Parties**

The City of Eau Claire, Wisconsin provides various administrative services and facilities to the Housing Authority. No estimate of cost for these services is included in the financial statements. The City also pays for the Housing Authority's pension plan and other employee benefits for which the Housing Authority reimburses the City on a monthly basis. No liability has been provided in these financial statements for any unfunded actuarial liability that may exist.

###### **n. Economic Dependency**

The Housing Authority is economically dependent on annual contributions and grants from the U.S. Department of Housing and Urban Development (HUD). The Housing Authority operates at a loss prior to receiving contributions and grants from HUD.



## CITY OF EAU CLAIRE

### NOTES TO THE BASIC FINANCIAL STATEMENTS December 31, 2003

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#### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

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##### ***K. COMPONENT UNITS (cont.)***

##### ***Redevelopment Authority***

This report contains the Redevelopment Authority of the City of Eau Claire (RDA), which is included as a component unit. Financial information is combined with the City's other component units and presented as a separate column in the statement of net assets and statement of activities.

In addition to the basic financial statements and the preceding notes to financial statements which apply, the following additional disclosures are considered necessary for a fair presentation.

##### **a. Basis of Accounting**

The RDA prepares its financial statements in accordance with the accrual basis of accounting and the flow of economic resources measurement focus.

##### **b. Deposits and Investments**

At year end, the RDA deposits were \$1,059,666 which was commingled with the City's cash and investments. The entire balance was insured by the FDIC or covered by perfected collateral pledges.

##### **c. Receivables**

The following is a schedule of receivable at year end:

	<u>Amount</u>	<u>Amount Not Due Within One Year</u>
Notes receivable	\$ 178,764	\$ 69,545
	<u>\$ 178,764</u>	<u>\$ 69,545</u>

##### **d. Advance from Primary Government**

The City of Eau Claire advanced the RDA \$1,310,000 in 2003. Currently, the City is not charging interest in the advance. Repayment of the loan is based on the sale of the related property. No amount is expected to be repaid in 2004.

# CITY OF EAU CLAIRE

## NOTES TO THE BASIC FINANCIAL STATEMENTS December 31, 2003

### **NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)**

#### **K. COMPONENT UNITS (cont.)**

##### **e. Capital Assets**

Capital asset held for resale activity for the year ended December 31, 2003 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 1,214,938	\$ 1,062,968	\$ -	\$ 2,277,906
Construction in progress	382,285	63,240	403,915	41,548
Total Capital Assets Not Being Depreciated	<u>\$ 1,597,223</u>	<u>\$ 1,126,208</u>	<u>\$ 403,915</u>	<u>\$ 2,319,454</u>

##### **f. Long-Term Obligations**

Long-term obligations activity for the year ended December 31, 2003 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Notes Payable:					
Promissory note	<u>\$ 11,240</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,240</u>	<u>\$ -</u>

#### **NOTES PAYABLE**

Notes payable at December 31, 2003 consists of the following:

Promissory note payable to City of Eau Claire. Original amount \$11,240. The entire balance is due in 2005. This is a non-interest bearing note.

	<u>\$ 11,240</u>
Total Notes Payable	<u>\$ 11,240</u>

## CITY OF EAU CLAIRE

### NOTES TO THE BASIC FINANCIAL STATEMENTS December 31, 2003

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#### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

---

##### **K. COMPONENT UNITS (cont.)**

###### g. Net Assets

Net assets reported on the statement of net assets at December 31, 2003 includes the following:

Invested in capital assets, net of related debt	
Land	\$ 2,277,906
Construction in progress	41,548
Less: Related long-term debt outstanding (excluding unspent capital related debt proceeds)	<u>(1,100,000)</u>
Total Invested in Capital Assets, net of related debt	1,219,454
Unrestricted (Deficit)	<u>991,027</u>
Total Net Assets	<u><u>\$ 2,210,481</u></u>

###### h. Risk Management

The RDA participates in the same risk pools as the reporting entity. Information related specifically to the RDA is unavailable. See the risk management note in the reporting entity's financial statements for further details.

###### i. Commitments

The RDA has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

###### j. Related Parties

The City of Eau Claire, Wisconsin provides various administrative services and facilities to the RDA. No estimate of cost for these services is included in the financial statements. The salaries and fringe benefits of the City's staff that work on RDA projects are paid for by the City. The RDA does not reimburse the City for any of these costs.

## CITY OF EAU CLAIRE

### NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2003

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#### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

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##### ***K. COMPONENT UNITS (cont.)***

##### ***Business Improvement Districts***

##### **a. Basis of Accounting and Measurement Focus**

The business improvement districts prepare their financial statements in accordance with the modified accrual basis of accounting. The measurement focus of the BIDs is the flow of current financial resources concept. Under this concept, sources and uses of financial resources, including capital outlays, debt proceeds and debt retirements are reflected in operations. Resources not available to finance expenditures and commitments of the current period are recognized as deferred revenue or a reservation of fund equity.

##### **b. Deposits and Investments**

At year end, the Business Improvement District (BID) deposits were commingled with the City's cash and investments. The balances were insured by the FDIC or covered by perfected collateral pledges.

Downtown	<u>\$ 10,174</u>
West Grand	<u>\$ 5,716</u>
Water Street	<u>\$ 22,331</u>

# CITY OF EAU CLAIRE

## NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2003

### NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

#### L. TAX INCREMENTAL FINANCING DISTRICTS

The City currently maintains separate debt service and capital projects funds which account for five Tax Incremental Financing Districts (TID) created in prior years in accordance with Section 66.1105 of the Wisconsin Statutes. At the time the districts were created, the property tax base within each district was "frozen" and subsequent incremental taxes resulting from any increases to the property tax base are available to finance district improvements, including principal and interest on debt issued by the City to finance such improvements. All eligible project expenditures for the districts are made from capital projects funds and must be incurred within ten years for districts created prior to October 1, 1995, and seven years for districts created thereafter. Debt service and capital project funds are maintained to account for tax increment and other revenues used to finance principal and interest payments on outstanding debt applicable to the districts. Unless terminated by the City prior thereto, TID No. 5, 6, 7 and 8 must be terminated after 23 years. TID No. 4 was terminated during 2003. The City still maintains a debt service fund for TID No. 4. Surplus funds will be used to pay the remaining debt outstanding in TID No. 4.

	Creation Date	Expenditure Deadline	Termination Year
TID No. 4	1992	2002	03/25/2003
TID No. 5	1997	10/08/04	10/08/2020
TID No. 6	1997	01/28/04	01/28/2020
TID No. 7	1997	03/17/04	03/17/2020
TID No. 8	2002	09/24/09	09/24/2025

Upon termination, the incremental tax base created by each TID will become part of the City's regular tax base. Any surplus remaining in the TID special revenue fund at the time of termination will be allocated among all affected taxing jurisdictions.

The following table summarizes the project and expenditures from creation of the districts through December 31, 2003.

Project Costs	TIF #4	TIF #5	TIF #6	TIF #7	TIF #8
Capital expenditures	\$ 7,060,286	\$ 2,617,800	\$ 1,130,255	\$ 1,256,204	\$ 761,941
Interest and fiscal charges	2,445,917	708,168	311,044	526,425	58,357
Bond issuance costs	62,670	4,880	2,160	5,710	5,200
Total project costs	9,568,873	3,330,848	1,443,459	1,788,339	825,498
Project Revenues					
Tax increments	8,773,891	1,020,324	458,746	260,447	-
Interest income and misc. revenue	1,265,204	190,974	75,499	238,406	48,032
Special assessments revenue	-	-	151,911	-	-
Total revenue	10,039,095	1,211,298	686,156	498,853	48,032
Net recoverable costs (refundable)	\$ (470,222)	\$ 2,119,550	\$ 757,303	\$ 1,289,486	\$ 777,466

## CITY OF EAU CLAIRE

### NOTES TO THE BASIC FINANCIAL STATEMENTS December 31, 2003

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#### NOTE IV – OTHER INFORMATION

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##### ***A. EMPLOYEES' RETIREMENT SYSTEM***

All eligible City employees participate in the Wisconsin Retirement System (System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year are eligible to participate in the System. Covered employees in the General category are required by statute to contribute 5.2% of their salary (3.9% for Executives and Elected Officials, 3.8% for Protective Occupations with Social Security, and 3.3% for Protective Occupations without Social Security) to the plan. Employers generally make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for City employees covered by the system for the year ended December 31, 2003 was \$28,937,051; the employer's total payroll was \$30,138,243. The total required contribution for the year ended December 31, 2003 was \$3,964,853 or 13.7 percent of covered payroll. Of this amount, 100 percent was contributed by the employer for the current year. Total contributions for the years ending December 31, 2002 and 2001 were \$3,842,361 and \$3,710,835, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 55 for protective occupation employees) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Retirement benefits are calculated as 1.6% (2.0% for Executives, Elected Officials, and Protective Occupations with Social Security and 2.5% for Protective Occupations without Social Security) of final average earnings for each year of creditable service. Final average earnings is the average of the employee's three highest years earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 are immediately vested.

The System also provides death and disability benefits for employees. Eligibility for and the amount of all benefits is determined under Chapter 40 of Wisconsin Statutes. The System issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

The pension related debt for the City as of December 31, 2003, was \$8,416,180. This liability was determined in accordance with provisions of GASB Statement 27 regarding pension-related debt. Depending on actuarial assumptions, this estimate can vary significantly.

## CITY OF EAU CLAIRE

### NOTES TO THE BASIC FINANCIAL STATEMENTS December 31, 2003

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#### NOTE IV – OTHER INFORMATION

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##### **A. EMPLOYEES' RETIREMENT SYSTEM (cont.)**

In addition to the above mentioned retirement system, the State of Wisconsin administers an agent multiple-employer plan which covers 30 retired employees of the City police and fire departments. These individuals were covered by a private pension plan prior to the City joining the system. No new employees are added to the plan. The City's policy is to fund retirement contributions to meet current benefit payments of these retired employees (i.e. "pay as you go"). Contributions are not actuarially determined. The total cost for 2003 was approximately \$152,510. The total estimated unfunded pension-related debt of this plan is approximately \$864,636 as of December 31, 2003, all of which relates to retirees and beneficiaries currently receiving benefits. Total cost for the year ended December 31, 2002 and 2001 was \$156,978 and \$169,887, respectively, equal to required contributions for each year. The rate of investment return is presently assumed to be 8%. The estimated remaining period of amortization is 12 years. This information is included in the above pension plan. The report can be obtained from the same address above.

The Wisconsin Retirement System also manages a duty disability plan under Section 40.65 of the Wisconsin Statutes. This plan pays lifetime disability benefits to police and fire employees who sustain on-the-job injuries that prevent them from continuing employment. The costs of this program are charged to the City as a percent of current police and fire wages. In 2003, 15 former employees participated in the program at a cost of \$695,772. The estimated present value of future costs for this program is \$3,720,903.

Under an earlier provision of the law, employers were directly responsible for the administration of duty disability payments. During 2003, three former employees were paid a total of \$27,980. The estimated present value of future costs of these benefits is \$269,819.

##### **B. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; health care of its employees, and natural disaster. The City purchases commercial insurance to provide coverage for employee health, property damage, and boiler insurance.

##### ***Self Insurance***

For workers' compensation claims, the uninsured risk of loss is \$250,000 per incident and \$1,000,000 in the aggregate for a policy year. The City has purchased commercial insurance for claims in excess of those amounts. Settled claims have not exceeded the commercial coverage in any of the past three years.

All funds of the City participate in the insurance program and make payments to the Risk Management fund. Amounts payable to the Risk Management fund are based on historical cost estimates of the amounts necessary to pay prior and current year claims.

## CITY OF EAU CLAIRE

### NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2003

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#### NOTE IV – OTHER INFORMATION (cont.)

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##### **B. RISK MANAGEMENT (cont.)**

##### **Self Insurance (cont.)**

The unpaid claims liability of \$903,390 at December 31, 2003 is based on GASB Statement Number 10 which requires that a liability for claims be established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. The liability is based on actuarial estimates of the present value of unpaid losses and includes both current claims payable and an amount for claims that have been incurred but not reported. The liability at year end of \$903,390 includes \$551,274 of potential workers compensation claims and \$352,116 for potential liability claims. Changes in unpaid claims liabilities in the current and prior year were:

##### **Claims Liability**

	<u>Prior Year</u>	<u>Current Year</u>
Unpaid claims – Beginning of Year	\$ 1,265,894	\$ 1,195,579
Current year claims and changes in estimates	694,409	447,826
Claim payments	<u>(764,724)</u>	<u>(740,015)</u>
Unpaid claims – End of Year	<u>\$ 1,195,579</u>	<u>\$ 903,390</u>

##### **Public Entity Risk Pool**

##### **Transit Mutual Insurance Corporation of Wisconsin (TMICOW)**

The Transit Mutual Insurance Corporation of Wisconsin was formed by 21 Wisconsin municipalities which have joined together for the managing and funding of the first party property losses and third party liability claims of its member municipalities mass transit funds.

In 2003, the TMICOW is protected by a \$1,250,000 self-insurance policy. In addition to the TMICOW protection, the City, combined together with other members of Wisconsin Municipal Transit Insurance Commission, are covered by a \$5,000,000 excess insurance policy issued by General Reinsurance Corporation effective January 1, 2003 through December 31, 2003.

Management consists of a board of directors comprised of one representative for each member. The City does not exercise any control over the activities of the agency beyond its representation on the board of directors.

Initial contributions are determined in advance of each membership year. The board of directors may require that supplemental contributions be made by members to ensure adequate funds are available to meet the obligations applicable to the membership year. Members have a contractual obligation to fund any deficit attributable to a membership year during which they were a member. The City's share of this operation is 4.5%. A list of the other members and their share of participation is available in the TMICOW report which is available from TMICOW, P.O. Box 1722, Appleton, WI 54912-1772.



## CITY OF EAU CLAIRE

### NOTES TO THE BASIC FINANCIAL STATEMENTS December 31, 2003

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#### NOTE IV – OTHER INFORMATION (cont.)

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##### **B. RISK MANAGEMENT (cont.)**

##### ***Public Entity Risk Pool (cont.)***

##### ***Wisconsin Municipal Mutual Insurance Company (WMMIC)***

The Wisconsin Municipal Mutual Insurance Company (WMMIC) is an intergovernmental cooperation commission created by contract under Section 66.30 of the Wisconsin Statutes, which has provided risk management and liability insurance services since January 1, 1988. Each member municipality appoints one policy holder to serve as a representative. The policy holders elect a seven member board of directors who are responsible for financing and budget control. The City does not exercise any control over the activities of the agencies beyond the election of officers and board. The City's initial capitalization of \$766,496 is recorded as an asset in the Risk Management internal service fund.

Insurance coverage provided through WMMIC includes auto and public liability for claims over \$100,000 or \$300,000 aggregate for years 1988-94 and \$200,000 or \$500,000 aggregate for years 1995-97, and \$200,000 or \$400,000 aggregate in 1999 and 2003, with an annual cap of \$5 million. The policy is non-assessable, thereby limiting the City's commitment to a proportional share of a \$13,935,000 revenue bond issue sold by WMMIC to provide for the initial capitalization. The share of participation is determined on a basis of prior claim history and can be affected by acceptance of new members. The City's current share of participation is 4.18%.

##### **C. COMMITMENTS AND CONTINGENCIES**

Funding for the operating budget of the City comes from many sources, including property taxes, grants and aids from other units of government, user fees, fines and permits, and other miscellaneous revenues. The State of Wisconsin provides a variety of aid and grant programs which benefit the City. Those aid and grant programs are dependent on continued approval and funding by the Wisconsin governor and legislature, through their budget processes. The State of Wisconsin is currently experiencing budget problems, and is considering numerous alternatives including reducing aid to local governments. Any changes made by the State to funding or eligibility of local aid programs could have a significant impact on the future operating results of the City.

From time to time, the City is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the City Attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the City's financial position or results of operations.

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

## CITY OF EAU CLAIRE

### NOTES TO THE BASIC FINANCIAL STATEMENTS December 31, 2003

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#### NOTE IV – OTHER INFORMATION (cont.)

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##### **C. COMMITMENTS AND CONTINGENCIES (cont.)**

At December 31, 2003, the City had contracts for construction projects on which work had not been completed or billed. These commitments are normal ongoing construction including maintenance of streets, storm sewers, and utility mains. They also include major equipment ordered but not delivered. No reservations of retained earnings have been made for the proprietary fund amounts.

<u>Capital Projects</u>	
TIF #8 Downtown Development	\$ 22,721
Bridge Projects	148,639
Buildings and Equipment	256,033
Parks and Recreation Projects	20,937
Environmental Improvements - Landfill	1,200
Library Buildings & Equipment	32,770
Total Committed Construction	<u>\$ 482,300</u>

<u>Proprietary Funds</u>	
Water Utility	\$ 2,000
Sewer Utility	5,529
Parking Utility	86
Public Transit	813
Central Equipment	1,678
Total Committed Construction	<u>\$ 10,106</u>

##### **D. OTHER POSTEMPLOYMENT BENEFITS**

In addition to providing pension benefits, the City provides certain contractually defined health care benefits for retired employees. Substantially all of the City's permanent employees may become eligible to receive an employer paid health care retirement benefit. Generally, the City will pay 100% of the lowest-priced single health policy between the age established by the Wisconsin Retirement System as normal retirement age and age sixty-five. The current policy has a deductible of \$1,000 for individuals, and \$2,000 for families. The City employees submit medical expenses up to these deductibles to the City and the City reimburses the employee.

The cost of retiree health care benefits is recognized as an expenditure in the General fund as premiums are paid. During 2003, \$532,892 was paid on behalf of 66 retired employees.

As of December 31, 2003 the estimated present value of future costs to provide retiree health care benefits for current participants is \$4,466,607. This liability is adjusted annually based on estimated health care costs and actual levels of participation.

## **CITY OF EAU CLAIRE**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS**

December 31, 2003

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#### **NOTE IV – OTHER INFORMATION (cont.)**

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##### ***E. CONTINGENT LIABILITIES***

The City had the usual and customary types of miscellaneous claims pending at year end. At the present time, there is no significant litigation pending.

The City owned and operated a landfill in the Town of Union which closed in 1978. Tests have detected volatile organic compounds in the vicinity. The City is currently working with other potentially responsible parties (PRP's) and the Wisconsin Department of Natural Resources to determine the extent of contamination and the appropriate remedial action. Ultimate cleanup cost estimates are not available; however, it is expected to exceed several million dollars. The City's share of these costs has not been determined but it is likely that it will share in these costs.

##### ***F. RELATED PARTIES***

Gateway Industrial Park Corporation (Gateway), a Wisconsin non-stock, non-profit corporation was organized in 1984 for the purpose of acquiring, owning, and developing industrial and commercial property in Eau Claire County. The Board of Directors of Gateway is comprised of three members who serve indefinite terms and exercise equal control over the management of the company. The City, Xcel, and the Eau Claire Area Industrial Development Corporation each appoint one director.

In April, 1991, the City, Xcel, the Industrial Development Corporation, and Gateway signed an agreement to provide Gateway with loans up to \$960,000 (increased to \$3,000,000 in 1995) for the acquisition and development of industrial property. As of December 31, 2003, the outstanding loans under the agreement were \$1,100,000, of which \$550,000 was due the City. Total interest earned by the City was \$26,125 for the year ended December 31, 2003.

Downtown Eau Claire, Incorporated (DECI), a Wisconsin non-stock, non-profit corporation was organized in 2002 for the purpose of promoting the development of business, housing and cultural resources and activities with downtown Eau Claire. The Board of Directors of the corporation consists of eighteen individuals, of which ten are elected directors and eight are perpetual directors. Four of the elected directors represent downtown and the adjacent neighborhoods and six of the elected directors reflect the diverse balance of downtown's major employers, financial institutions, property owners, business, and non-business activities.

The eight perpetual directors consist of representatives or appointees of the following: Eau Claire City Manager, Eau Claire City Council President, Redevelopment Authority, Eau Claire County Board, Downtown Business Improvement District, West Grand Business Improvement District, Regional Arts Council and Eau Claire City Council. Downtown Eau Claire, Incorporated is funded by the City of Eau Claire and the Downtown Business Improvement District. The City of Eau Claire has contributed \$99,000 and the Downtown Business Improvement District contributed \$25,000 in 2003 for a budget of \$124,000.